

# **Brattleboro Memorial Hospital**

## **Fiscal Year 2016 budget analysis**

**Report Date:**

**8/12/2015**

# Brattleboro Memorial Hospital

Steven Gordon - CEO

Mike Rogers - CFO

## Summary Budget to Budget Increase

The 2016 budget shows a 3.8% increase over the 2015 budget. Of the increase over 3%, 0.7% is almost all due to health care investments.

Utilization is projected to be 0.9% higher and the budget includes 17 new FTEs. This is resulting in unfavorable productivity measures. The hospital will discuss this at the hearing.

The operating surplus is budgeted at 0.1% of net revenues; this is lower than the 0.3% margin in 2015. The balance sheet is in good position. The latest financial projections for 2015 show higher NPR and the operating surplus projected to be a loss.

The commercial cost shift is reduced by \$1 million. Over \$2.4 million is related to better revenues from Medicare offset by higher bad debt and free care and lower Medicaid reimbursement.

## Issues to Address at the Hearing

Discuss the rate decrease and the effects your commercial payers.

Discuss the trends being seen in bad debt and free care the last few years - BMH is not seeing a decline.

Discuss your Medicare revenue estimates including the plans to begin provider based billing.

Discuss the need for additional FTEs that are not supported by higher utilization, resulting in productivity declines.

	2014A	2015B	2015P	2016B	B15-B16 Change	B15-B16 % Change
Net Patient Care Revenue	\$ 71,512,773	\$ 71,284,572	\$ 71,768,098	\$ 73,993,162	\$ 2,708,590	3.8%
Other Operating Revenue	\$ 3,797,012	\$ 2,740,851	\$ 2,915,792	\$ 2,355,778	\$ (385,073)	-14.0%
Total Operating Revenue	\$ 75,309,785	\$ 74,025,423	\$ 74,683,890	\$ 76,348,940	\$ 2,323,517	3.1%

SALARIES NON MD	\$ 22,803,623	\$ 23,470,786	\$ 23,189,921	\$ 24,466,788	\$ 996,003	4.2%
FRINGE BENEFITS NON MD	\$ 6,996,140	\$ 7,439,129	\$ 7,530,687	\$ 7,432,385	\$ (6,744)	-0.1%
FRINGE BENEFITS MD	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
PHYSICIAN FEES SALARIES CONTRACTS & FRINGES	\$ 12,780,965	\$ 13,750,589	\$ 13,889,730	\$ 14,909,036	\$ 1,158,447	8.4%
HEALTH CARE PROVIDER TAX	\$ 4,169,495	\$ 4,195,955	\$ 4,250,134	\$ 4,284,133	\$ 88,178	2.1%
DEPRECIATION AMORTIZATION	\$ 4,047,524	\$ 4,334,587	\$ 4,224,331	\$ 4,371,699	\$ 37,112	0.9%
INTEREST - SHORT TERM	\$ 2,662	\$ -	\$ 4,345	\$ -	\$ -	#DIV/0!
INTEREST - LONG TERM	\$ 239,588	\$ 268,344	\$ 231,245	\$ 249,792	\$ (18,552)	-6.9%
OTHER OPERATING EXPENSE	\$ 21,572,209	\$ 20,365,975	\$ 21,803,652	\$ 20,554,292	\$ 188,317	0.9%
Total Expenses	\$ 72,612,206	\$ 73,825,365	\$ 75,124,045	\$ 76,268,125	\$ 2,442,760	3.3%
Net Operating Income	\$ 2,697,579	\$ 200,058	\$ (440,155)	\$ 80,815	\$ (119,243)	-59.6%

Operating Margin %	3.6%	0.3%	-0.6%	0.1%	-0.2%	
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**Brattleboro Memorial Hospital**

Key Indicators	Actual 2013	Actual 2014	Budget 2015	Projected 2015	Budget 2016	Actual 2014-Budget 2015	Budget 2015-Budget 2016
<b>Utilization</b>							
Acute Care Ave Daily Census	15.2	14.9	15.0	14.6	14.5	0.1	-0.5
Total Average Daily Census	18	17	17	17	17	0	-0.8
Acute Average Length of Stay	3.4	3.5	3.4	3.5	3.5	-0.1	0.1
Acute Admissions	1,655	1,555	1,611	1,527	1,527	56	-84.0
Total Beds (Staffed)	46	46	46	46	46	0	0.0
Adjusted Admissions	7,773	8,001	7,955	8,127	8,026	-46	70.4
Adjusted Days	26,104	27,986	27,081	28,268	27,914	-905	833.2
<b>Capital</b>							
Age of Plant	9.8	8.8	9.4	9.6	10.3	0.6	0.9
Long Term Debt to Capitalization	18.3%	14.9%	16.9%	14.2%	13.4%	2.0%	-3.5%
Capital Expenditures to Depreciation	104.6%	77.7%	78.2%	114.3%	103.2%	0.5%	25.0%
Debt per Staffed Bed	542,753	496,172	412,060	422,553	391,257	-84,112	-20,802
Net Prop, Plant & Equip per Staffed Bed	521,766	616,043	569,948	526,360	525,505	-46,095	-44,442
Debt Service Coverage Ratio	8.9	10.0	6.7	5.9	6.5	-3.3	-0.2
<b>Revenue</b>							
Deduction %	46.8%	49.9%	52.4%	52.5%	52.2%	2.5%	-0.2%
Bad Debt % of Gross Revenue	3.1%	3.0%	3.0%	3.4%	3.3%	0.0%	0.2%
Free Care % of Gross Revenue	2.1%	1.8%	1.9%	2.4%	2.0%	0.0%	0.1%
Operating Margin %	3.4%	3.6%	0.3%	-0.6%	0.1%	-3.3%	-0.2%
Total Margin %	6.6%	11.2%	1.2%	0.6%	1.1%	-10.0%	-0.1%
All Net Patient Revenue % of Gross Rev	52.3%	49.5%	46.9%	46.8%	47.2%	-2.6%	0.3%
Medicare Net Patient Revenue % of Gross Rev (incl Phys)	42.6%	38.0%	33.3%	37.0%	37.7%	-4.7%	4.4%
Medicaid Net Patient Revenue % of Gross Rev (incl Phys)	33.8%	29.5%	30.9%	27.0%	30.1%	1.4%	-0.8%
Comm/self pay Net Patient Revenue % of Gross Rev (incl Phys)	70.4%	70.7%	68.8%	67.2%	67.2%	-1.9%	-1.6%
<b>Productivity</b>							
Adjusted Admissions Per FTE	20.1	20.0	19.6	19.9	19.0	-0.4	-0.6
FTEs per 100 Adj Discharges	5.0	5.0	5.1	5.0	5.3	0.1	0.2
Overhead Expense w/ fringe, as a % of Total Operating Exp	21.5%	21.2%	20.6%	20.8%	20.9%	-0.6%	0.3%
FTEs Per Adjusted Occupied Bed	5.4	5.2	5.5	5.3	5.5	0.2	0.1
<b>Cost</b>							
Cost per Adjusted Admission	8,634	9,075	9,280	9,243	9,503	205	223
Salary & Benefits per FTE - Non-MD	75,744	74,481	76,236	75,174	75,528	1,755	(708)
Compensation Ratio	57.9%	56.5%	60.3%	59.7%	61.3%	3.8%	1.0%
Capital Cost % of Total Expense	5.7%	5.9%	6.2%	5.9%	6.1%	0.3%	-0.2%
<b>Liquidity</b>							
Current Ratio	2.2	3.4	3.0	3.3	3.6	(0.3)	0.5
Days Cash on Hand	179.4	169.3	158.7	194.3	187.3	(10.6)	28.7
Cash to Long Term Debt	3.2	3.5	3.1	4.3	4.5	(0.3)	1.3
<b>Payer</b>							
DSH % of Total NPR	1.7%	1.3%	1.5%	1.5%	1.2%	0.2%	-0.3%
Medicaid % of Total NPR (incl. DSH)	11.2%	10.4%	11.5%	10.6%	12.0%	1.2%	0.5%
Medicare % of Total NPR (incl. DSH)	33.2%	32.3%	30.0%	33.2%	34.6%	-2.4%	4.6%
Commercial % of Total NPR (incl. DSH)	53.9%	56.0%	56.9%	54.7%	52.2%	1.0%	-4.8%
<b>Employed</b>							
Non-MD FTEs	387.0	400.1	405.5	408.7	422.4	5.4	16.9
Physician FTEs	33.1	38.4	55.1	49.5	53.8	16.7	(1.3)
Travelers	2.0	2.7	-	-	-	(2.7)	-
<b>Outpatient</b>							
All Outpatient Visits	89,015	86,658	87,328	86,857	86,857	670	(471)
Operating Room Procedure	1,967	1,947	1,931	1,839	1,997	(16)	66
Observation Units	1,145	1,166	1,125	1,438	1,438	(41)	313

The GMCB sent a letter to BMH requiring them to prepare their 2016 budget recognizing they exceeded the GMCB NPR target levels in FY 2014 and to examine projected 2015 as part of that analysis. (see letter from GMCB attached and BMH response in their narrative) The result of this is a 3.8% increase in NPRs and a reduction in rates/prices of 1.2%.

1) The hospital is submitting a 1.2% decrease in overall rates, reducing commercial NPRs by \$600,000. This is in part their response for exceeding the GMCB NPR target levels in FY 2014 and Projected 2015.

a) Our analysis found that the 2014 actual variance was exceeded by \$1.4 million. Present the approach and rationale BMH took to address the 2014 performance as outlined in your narrative on page 5.

b) Who will actually see the 1.2% discount? Will that amount, on average, be the discount that commercial payers will be paying? Describe the different reimbursement agreements you may have when contracting with commercial payers.

2) BMH has submitted a 3.8% NPR increase. Most (0.7%) of the increase over 3.0% is because of investments in health care reform. These are described in their narrative.

a) The 0.1% equates to \$72,000 of higher NPRs. Explain the trade-offs of reducing your NPR to meet the GMCB's target.

3) BMH is not experiencing what other hospitals are seeing. Bad debt and free care levels were 4.8% of gross revenues in 2014 and 4.9% in Budget 2015. However, projected 2015 is seeing a higher level at 5.8%. BMH has budgeted 2016 at 5.3%, and believes that is a risk.

a) Describe the recent changes you have seen in terms caseloads, patient coverages, billing disputes, etc. that might be influencing the changes.

b) Is BMH free care policy significantly different than other hospitals? Are there any changes in reporting that are influencing this?

4) BMH has a NPR overall increase of \$2.7 million and that includes a rate decrease of about \$600,000. It appears the improvements in Medicare reimbursement explain much of this increase. Provide a reconciliation of the \$3.3 million in "Other NPR changes" not related to price changes.

- 5) The 2015 projection for BMH shows a projected loss of \$400,000. NPRs are almost exactly on budget. Are these projections still valid? If not, describe any material changes.
- 6) Are the BMH assumptions for estimating Medicare following the proposed rules that CMS has published? What are the key items in the proposed rules that might change either favorably or not for BMH? Discuss the risks BMH is taking regarding Medicare reimbursement.
- 7) BMH's narrative talks about implementing provider based billing as soon as possible. Discuss why you are doing this and quantify the potential reimbursement expected. Discuss how will this directly impact patients.
- 8) BMH's narrative talks about a possible CON capital upgrade for surgery in 2017. Briefly discuss the project plans and considerations.
- 9) Salary per FTE shows a 0.1% increase from budget 2015. Explain whether this is correct and if the hospital plans to increase wages.
- 10) BMH has added 17 new FTEs that are not all supporting clinical/utilization needs. The result is a small, but unfavorable trend in productivity. Discuss the increase in FTEs - it appears as though three of those are related to health care reform.

**Brattleboro Memorial Hospital**
**PROFIT & LOSS STATEMENT**

	2014A	2015B	2015P	2016B	2015B-2016B 2016B	
REVENUES						
INPATIENT	\$27,716,232	\$30,323,009	\$28,373,541	\$29,460,556	-\$862,453	-2.8%
OUTPATIENT	\$114,896,233	\$119,419,166	\$122,645,226	\$125,383,203	\$5,964,037	5.0%
PHYSICIAN	\$0	\$0	\$0	\$0	\$0	0.0%
CHRONIC REHAB	\$0	\$0	\$0	\$0	\$0	0.0%
SNF/ECF	\$0	\$0	\$0	\$0	\$0	0.0%
SWING BEDS	\$0	\$0	\$0	\$0	\$0	0.0%
GROSS PATIENT CARE REVENUE	\$142,612,465	\$149,742,176	\$151,018,767	\$154,843,759	\$5,101,583	3.4%
DISPROPORTIONATE SHARE PAYMENTS	\$936,015	\$1,100,858	\$1,100,858	\$889,343	-\$211,515	-19.2%
BAD DEBT	-\$4,333,162	-\$4,545,944	-\$5,070,688	-\$5,039,965	-\$494,021	-10.9%
FREE CARE	-\$2,634,253	-\$2,819,482	-\$3,675,621	-\$3,122,313	-\$302,831	-10.7%
GRADUATE MEDICAL EDUCATION	\$0	\$0	\$0	\$0	\$0	0.0%
DEDUCTIONS FROM REVENUE	-\$65,068,293	-\$72,193,036	-\$71,605,218	-\$73,577,662	-\$1,384,626	-1.9%
NET PATIENT CARE REVENUE	\$71,512,773	\$71,284,572	\$71,768,098	\$73,993,162	\$2,708,590	3.8%
OTHER OPERATING REVENUE	\$3,797,012	\$2,740,851	\$2,915,792	\$2,355,778	-\$385,073	-14.0%
TOTAL OPERATING REVENUE	\$75,309,785	\$74,025,423	\$74,683,890	\$76,348,940	\$2,323,517	3.1%
OPERATING EXPENSE						
TOTAL OPERATING EXPENSE	72,612,206	73,825,365	75,124,045	76,268,125	\$2,442,760	3.3%
NET OPERATING SURPLUS (LOSS)	\$2,697,579	\$200,058	-\$440,155	\$80,815	-\$119,243	-59.6%
NON-OPERATING REVENUE	\$6,487,437	\$687,887	\$905,438	\$733,978	\$46,091	6.7%
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	\$9,185,015	\$887,945	\$465,283	\$814,793	-\$73,152	-8.2%

Physician revenue activity is included in the Outpatient revenue line. GMCB staff are working with hospitals to consistently align and report the information.

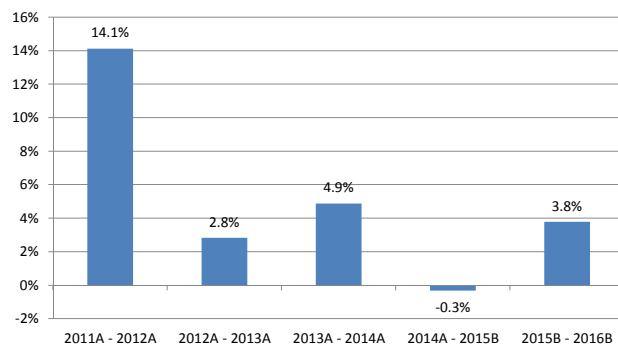
Unfavorable changes in bad debt and free care will be discussed.

BMH has a 3.8% NPR increase. Over \$456,000 is related to health care investments that are outlined in the narrative.

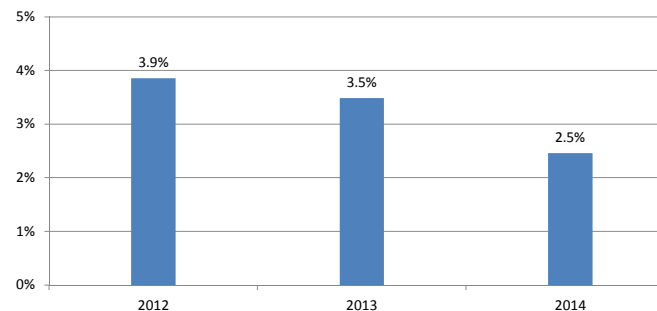
Higher expenses are driven primarily by wage increases, 17 new FTEs, and physician wages and benefits.

Operating surplus has been reduced in 2016 to meet the NPR target.

**Net Patient Revenues  
Annual Increase**



**Net Patient Revenues  
Over (under budget)**



**Brattleboro Memorial Hospital**  
**NET PATIENT REVENUE PAYER MIX**

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - All	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 1,100,858	\$ 889,343	\$ (211,515)
Medicaid	\$ 8,214,518	\$ 8,892,461	\$ 677,943
Medicare	\$ 21,373,597	\$ 25,596,614	\$ 4,223,017
Commercial/self pay/Wcomp	\$ 40,595,598	\$ 38,614,745	\$ (1,980,853)
TOTAL	\$ 71,284,571	\$ 73,993,163	\$ 2,708,592
			3.8%

NPR shows a 3.8% increase over the 2015 budget. This increase can be described as follows:

	Millions	% Share
Rate Increase	\$ (0.6)	-0.8%
Physician Practice Transfers	\$ -	0.0%
Bad Debt/Free Care Improvement	\$ (0.8)	-1.1%
Disproportionate Share Loss	\$ (0.2)	-0.3%
Utilization Gain/Loss	\$ -	0.0%
Health Care Reform Investments	\$ 0.5	0.7%
Other Change	\$ 3.8	5.3%
	\$ 2.7	3.8%

This schedule presents net patient revenue change for the hospital. Essentially, this is a summary of who will pay the bill for the increases in the budget.

The 2016 budget shows a 3.8% increase over the 2015 budget. The increase over 3% is almost all due to health care investments. About 0.1%, or \$72,000 is not health care investments.

Unfavorable changes in bad debt/free care and disproportionate share result in loss NPRs.

"Other changes" are presumed to be better reimbursement and favorable changes in mix of services. BMH will explain.

**Brattleboro Memorial Hospital****NET PATIENT REVENUE PAYER MIX**

Payer mix describes the reimbursement and patient change that occurs from year to year.

Net Patient Revenue - Hospital	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 1,100,858	\$ 889,343	\$ (211,515)
Medicaid	\$ 6,512,566	\$ 6,866,733	\$ 354,167
Medicare	\$ 18,107,661	\$ 21,130,673	\$ 3,023,012
Commercial/self pay/Wcomp	\$ 35,565,911	\$ 34,256,277	\$ (1,309,634)
TOTAL	\$ 61,286,996	\$ 63,143,026	\$ 1,856,030

Net Patient Revenue - Physician	Bud 15 Total	Bud 16 Total	Change
Disproportionate share			\$ -
Medicaid	\$ 1,701,952	\$ 2,025,728	\$ 323,776
Medicare	\$ 3,265,936	\$ 4,465,941	\$ 1,200,005
Commercial/self pay/Wcomp	\$ 5,029,688	\$ 4,358,468	\$ (671,220)
TOTAL	\$ 9,997,575	\$ 10,850,137	\$ 852,562

Net Patient Revenue - All	Bud 15 Total	Bud 16 Total	Change
Disproportionate share	\$ 1,100,858	\$ 889,343	\$ (211,515)
Medicaid	\$ 8,214,518	\$ 8,892,461	\$ 677,943
Medicare	\$ 21,373,597	\$ 25,596,614	\$ 4,223,017
Commercial/self pay/Wcomp	\$ 40,595,598	\$ 38,614,745	\$ (1,980,853)
TOTAL	\$ 71,284,571	\$ 73,993,163	\$ 2,708,592

This schedule breaks out the net patient revenue change s between hospital and physician services.

You will note that the B15-B16 changes by payer may very well differ significantly when examining hospital vs. physician. This is because price changes, reimbursement, and utilization will differ for those services.

Our analysis finds a significant increase in Medicare NPR. BMH has explained this as being related to favorable changes in the current CMS Medicare rules.

The reduction in commercial payer NPR is related to a reduction in the rates/prices.

The disproportionate share change has been verified and a reduction will have an unfavorable effect on rate.



**Brattleboro Memorial Hospital**
**RATE TREND AND SOURCE OF REVENUES**

Rate is the average change in price for services provided.

	Budget 2013 Approved	Budget 2014 Approved	Budget 2015 Approved	Budget 2016 Submitted	Average Annual 2014-2015
Brattleboro Memorial Hospital	7.5%	5.8%	2.7%	-1.2%	5.3%
Weighted Average All Hospitals				4.3%	

	Bud 16 Total	Gross revenue from Rates	Net revenue from Rates
Hospital Inpatient	-0.6%		
Hospital Outpatient	-1.6%		
Professional Services	0.0%		
Nursing Home	0.0%		
Summary price request	-1.2%	\$ (1,874,226)	\$ (582,075)

		Gross Revenue from Other	Net revenue from Other
Commercial Ask Negotiations			\$ -
Utilization			\$ -
Physician Acquisition or reduction			\$ -
Other major program change			\$ 1,008,367
Free care			\$ (302,831)
Bad debt			\$ (494,021)
Dispro share change			\$ (211,515)
Other NPR changes			\$ -
Other changes *			\$ 3,290,667
Summary Other (non-price) request		\$ 6,975,809	\$ 3,290,667

Total NPR Increase Due to Price and Other	\$ 5,101,583	\$ 2,708,592
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Commercial Payer	Self Pay/Other	Medicaid	Medicare	
\$ (582,075)	\$ -	\$ -	\$ -	

Commercial Payer	Self Pay/Other	Medicaid	Medicare	DSH
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 1,008,367
\$ -	\$ -	\$ -	\$ -	\$ (302,831)
\$ -	\$ -	\$ -	\$ -	\$ (494,021)
\$ -	\$ -	\$ -	\$ -	\$ (211,515)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ (1,980,853)	\$ 582,075	\$ 677,943	\$ 4,223,017	\$ (211,515)
\$ (1,980,853)	\$ 582,075	\$ 677,943	\$ 4,223,017	\$ (211,515)

\$ (2,562,928)	\$ 582,075	\$ 677,943	\$ 4,223,017	\$ (211,515)
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The rate decrease is (1.2%) with no increase budgeted for physician services and a decrease for hospital inpatient and outpatient.

The rate will reduce commercial NPR by \$0.6 million. The increase in NPRs will come primarily from improved Medicare reimbursement and some utilization increase.

BMH has among the highest bad debt and free care (as a % of gross revenues) in the state. Also, disproportionate share has been reduced, so both are putting increased pressure on their rates. BMH will explain the "Other changes" of \$3.3 million not related to price changes.

**Brattleboro Memorial Hospital**
**UTILIZATION & STAFFING**

	2012A	2013A	2014A	2015B	2015P	2016B	B15-B16 Change
<b>Utilization</b>							
ADJUSTED ADMISSIONS	7,283	7,773	8,001	7,955	8,127	8,026	0.9%
ACUTE ADMISSIONS	1,687	1,655	1,555	1,611	1,527	1,527	-5.2%
AVERAGE LENGTH OF STAY	3.5	3.4	3.5	3.4	3.5	3.5	2.2%
OUTPATIENT OPERATING ROOM PROCEDURES	1,844	1,967	1,947	1,931	1,839	1,997	3.4%
LABORATORY TESTS	246,800	238,283	218,085	224,939	215,270	215,270	-4.3%
EMERGENCY ROOM VISITS	12,915	13,199	13,259	12,779	13,882	14,465	13.2%
RADIOLOGY-DIAGNOSTIC & CT SCANS	38,579	34,877	34,031	34,028	34,453	34,453	1.2%
MRIs	2,138	2,012	2,028	2,054	2,060	2,060	0.3%
PHYSICIAN OFFICE VISITS	139,308	173,126	229,637	263,465	235,391	250,454	-4.9%
CLINIC VISITS	-	-	-	-	-	-	0.0%

<b>Staffing</b>							
NON-MD FTE	377	387	400	405	409	422	16.9
TRAVELERS	1.3	2.0	2.7	-	-	-	0.0
RESIDENTS & FELLOWS	-	-	-	-	-	-	0.0
MLPs	-	-	-	-	-	-	0.0
PHYSICIAN FTEs	26.5	33.1	38.4	55.1	49.5	53.8	-1.3
TOTAL MD AND NON MD FTES	404.9	422.2	441.2	460.5	458.2	476.2	15.6
SALARY PER FTE - NON-MD	57,572	56,875	56,995	57,888	56,746	57,930	0.1%
SALARY & BENEFIT PER FTE - NON-MD	77,074	75,744	74,481	76,236	75,174	75,528	-0.9%
FTES PER ADJUSTED OCCUPIED BED	5.4	5.4	5.2	5.5	5.3	5.5	1.1%
FTES PER 100 ADJUSTED DISCHARGES	5.2	5.0	5.0	5.1	5.0	5.3	3.3%

Budgeted 2016 utilization (adjusted admissions) shows a slight increase from 2015 budget levels, following projections expected during 2015.

The largest increases are in operating room procedures and ER.

Non MD staffing is increasing by 17, some related to health care investments. BMH will discuss at the hearing.

Productivity indicators are trending unfavorably as FTEs are being added while utilization is increasing more slowly.

Salary per FTE shows only a minor change.

**Brattleboro Memorial Hospital**  
**BALANCE SHEET & INDICATORS**

	2014A	2015B	2015P	2016B
<b>Cash &amp; Investments</b>	\$2,400,992	\$2,737,458	\$2,266,119	\$2,432,189
<b>Total Current Assets</b>	\$17,313,341	\$11,407,029	\$11,626,620	\$11,797,605
<b>Total Board Designated Assets</b>	\$29,398,220	\$27,467,630	\$35,469,731	\$34,469,731
<b>Total Net, Property, Plant And Equipment</b>	\$28,337,966	\$30,777,188	\$28,423,443	\$28,377,294
<b>Other Long-Term Assets</b>	\$0	\$0	\$0	\$0
<b>Total Assets</b>	\$75,049,526	\$69,651,847	\$75,519,794	\$74,644,630
<b>Total Current Liabilities</b>	\$13,683,867	\$12,630,491	\$14,090,321	\$12,870,367
<b>Long-Term Debt</b>	\$9,140,024	\$9,620,731	\$8,727,527	\$8,257,527
<b>Other Noncurrent Liabilities</b>	\$0	\$0	\$0	\$0
<b>Total Fund Balance</b>	\$52,225,635	\$47,400,625	\$52,701,946	\$53,516,736
<b>Total Liabilities and Equities</b>	\$75,049,526	\$69,651,847	\$75,519,794	\$74,644,630

The hospital's overall balance sheet shows a continued improvement in net assets (fund balance).

Debt is trending lower and cash and Board Designated Assets are increasing.

<b>Hospital</b>				
Net Increase/Decrease in Cash	\$ 799,938	\$ 627,458	\$ (134,873)	\$ (305,269)
Days Cash on Hand	169	159	194	187
Cash to Long Term Debt	3.5	3.1	4.3	4.5
Long Term Debt to Capitalization	14.9%	16.9%	14.2%	13.4%
Debt Service Coverage Ratio	10.0	6.7	5.9	6.5

BMH's cash on hand is increasing in Budget 2016. Debt indicators show improvement in the next year.

<b>System Average</b>				
Net Increase/Decrease in Cash	\$ 54,485,472	\$ 74,776,400	\$ 21,398,061	\$ (11,067,200)
Days Cash on Hand	176	181	185	180
Cash to Long Term Debt	1.9	1.6	1.7	1.7
Long Term Debt to Capitalization	29.6%	32.3%	32.6%	31.3%
Debt Service Coverage Ratio	3.3	3.1	2.9	2.8

Cash measures compare well against the system average.

Debt measures are improving and the debt position is favorable compared to the system.

**Brattleboro Memorial Hospital**
**CAPITAL BUDGET**

	2014 Actuals	2015 Budget Approved	2015 Projection	2016 Budget	2017 Plan	2018 Plan	2019 Plan
<b>Non-Certificate of Need Capital Purchases</b>	\$3,144,896	\$3,390,841	\$4,829,594	\$4,512,197	\$3,621,280	\$3,494,122	\$2,218,892
<b>Certificate of Need Capital Plans</b>		\$0	\$0	\$0	\$13,767,734	\$0	\$0
<b>Total Capital Purchases</b>	\$3,144,896	\$3,390,841	\$4,829,594	\$4,512,197	\$17,389,014	\$3,494,122	\$2,218,892

**Hospital**

Age of Plant (years)	8.8	9.4	9.6	10.3	helps understand the status of all fixed assets
Capital Expenditures to Depreciation	77.7%	78.2%	114.3%	103.2%	helps to understand current level of capital spend
Capital Cost % of Budget	5.9%	6.2%	5.9%	6.1%	helps understand relative share of depr & interest

**System Average**

Age of Plant (years)	10.2	10.9	11.0	11.9
Capital Expenditures to Depreciation	80.6%	122.4%	131.0%	95.1%
Capital Cost % of Budget	5.9%	6.0%	5.9%	5.8%

Age of plant is increasing in Bud 16 but continues to compare favorably with the Vermont hospital system.

BMH spending has been slower than the system over the last few years though BMH capital cost % of budget remains slightly higher than the system.

Non CON capital items include both building improvements and equipment, including \$2.8 million for the EMR upgrade. BMH has no CONs planned in 2016 but is reviewing the need for surgical expansion and new boiler in 2017.

	2016 Budget	2017 Plan	2018 Plan	2019 Plan
<b>Non Certificate of Need Detail</b>				
Construction in Progress (Non-CON>\$500K)	\$0	\$0	\$0	\$0
Land & Land Improvements (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Buildings & Building Improvements (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Fixed Equipment (Non-CON >\$500K)	\$0	\$0	\$0	\$0
Total Major Movable Equipment (Non-CON >\$500K)	\$2,750,000	\$0	\$750,000	\$600,000
Other Non CON Items under \$500,000	\$1,762,197	\$ 3,621,280	\$ 2,744,122	\$ 1,618,892
<b>Total Non-Certificate of Need Capital Purchases</b>	<b>\$ 4,512,197</b>	<b>\$ 3,621,280</b>	<b>\$ 3,494,122</b>	<b>\$ 2,218,892</b>

**Certificate of Need Plans**
**Certificate of Need Proposals**

New Boiler Plant (Brattleboro Memorial Hospital)	\$ -	\$ 2,233,600	\$ -	\$ -
Surgical Expansion (Brattleboro Memorial Hospital)	\$ -	\$ 11,534,134	\$ -	\$ -
<b>Total Certificate of Need Proposals</b>	<b>\$ -</b>	<b>\$ 13,767,734</b>	<b>\$ -</b>	

**Green Mountain Care Board**  
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April 3, 2015

**Brattleboro Memorial Hospital**

Steven Gordon, CEO  
9 Belmont Avenue  
Brattleboro, VT 05301

Dear Mr. Gordon:

This letter is to inform you of the Green Mountain Care Board's concerns regarding your 2014 budget to actual performance. Your budget was significantly outside the enforcement policy and the Board is looking for you to conform to the policy going forward. It is the expectation of the GMCB that you will build your 2016 Budget recognizing that you exceeded your 2014 budget and should explain how you will remedy that as part of your 2016 Budget submission.

The FY 2016 budget instructions will be forthcoming and will include basic principles to limit growth and improve quality outcomes. The Board realizes that each hospital has unique circumstances and we will consider those circumstances as part of the budget review. However, as in recent years, we recognize the need for a careful balance of the concerns of Vermont citizens and businesses with the financial health of the hospital industry.

The Board recognizes that a number of factors influence the final year net patient revenues (NPR) and the subsequent operating results. Your 2014 budget to actual performance reflected several items (attached) that led to the higher NPR. As a result, your commercial prices that were authorized in your 2014 approved hospital budget resulted in a greater level of NPR than was necessary.

The guidance to prepare your 2016 budget includes:

- 1) You should consider both 2014 actuals and 2015 projections and examine the extent that your approved rates were too high;
- 2) Reducing prices or a lower rate request should be considered for FY 2016;
- 3) You should identify those items or assumptions that might materially change the budget;
  - a. Revenue estimates for each payer type, especially Medicare,
  - b. Significant payer mix utilization shifts,
  - c. Bad debt and free care trends,

- d. Outstanding revenue settlements,
- e. Any other unusual events.

4) Your 2016 budget narrative should explain how you addressed these considerations.

Your hospital staff should feel free to contact me or my staff, (Lori Perry and Janeen Morrison) if you have questions about the budget policies, budget instructions, schedules, or the Adaptive Insights budget tool.

Sincerely,

s/Michael Davis

Michael Davis

Director of Health System Finances

Green Mountain Care Board

Cc: Green Mountain Care Board Members  
Mike Rogers, CFO, Brattleboro Memorial Hospital

Brattleboro Memorial Hospital Profit & Loss Statement					
	2014B	2014A	2014B - 2014A		2015B
			\$ Difference	% Change	
Gross Patient Care Revenue	\$143,269,654	\$142,612,465	(\$657,189)	-0.5%	\$149,742,176
Net Revenue Deductions	(\$73,476,590)	(\$71,099,692)	\$2,376,897	-3.2%	(\$78,457,604)
Net Patient Care Revenue	\$69,793,064	\$71,512,773	\$1,719,709	2.5%	\$71,284,572
Other Operating Revenue	\$1,944,231	\$3,797,012	\$1,852,781	95.3%	\$2,740,851
Total Operating Revenue	\$71,737,295	\$75,309,785	\$3,572,489	5.0%	\$74,025,423
Operating Expense	\$71,561,029	\$72,612,206	\$1,051,177	1.5%	\$73,825,365
Net Operating Income (Loss)	\$176,267	\$2,697,579	\$2,521,312	1430.4%	\$200,058
Non-Operating Revenue	\$428,126	\$6,487,437	\$6,059,311	1415.3%	\$687,887
Excess (Deficit) Rev over Exp	\$604,393	\$9,185,015	\$8,580,623	1419.7%	\$887,945

Brattleboro Memorial Hospital exceeded the net patient revenue variance by about \$1.4 million. Better reimbursement from Medicare, a physician transfer, and lower bad debt and free care more than explain the variance (see detail on the next page). BMH explains that the 2014 Budget did not include a 3% operating surplus so this favorable variance allowed them to achieve that surplus. In addition, this will allow them to keep rates lower as they build the 2016 Budget.

It is my estimate that an overall rate increase of 3-4% for BMH would yield about \$1.4 million in net patient revenues.

# Analysis of net patient revenues

## Brattleboro Memorial Hospital

Net Patient Revenue	2014B	2014A	Change	% Change
Disproportionate share	\$ 876,838	\$ 936,015	\$ 59,177	6.7% Change in DVHA calculation.
Medicaid	\$ 7,471,634	\$ 7,416,216	\$ (55,418)	-0.7% Utilization change.
Medicare	\$ 21,117,918	\$23,133,729	\$ 2,015,811	9.5% Low volume/Medicare Dependent status reinstated.
Commerical/self pay/Wcomp	\$ 40,326,676	\$40,026,812	\$ (299,863)	-0.7% Utilization change.
TOTAL	\$ 69,793,065	\$71,512,773	\$ 1,719,707	2.5%

NPR allowed variance at 0.5%	\$ 348,965
Variance to be explained	\$ 1,370,742

Variance to be explained	
Physician transfer	\$ 401,000
Bad debt and free care lower than budget	\$ 467,000
Medicare reimbursement changes	\$ 2,000,000
	\$ 2,868,000